

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR AUTHORITY TO TRANSFER)	
CONTROL OF WILTEL, INC. TO LDDS)	CASE NO.
COMMUNICATIONS, INC. AND FOR APPROVAL)	94-319
OF RELATED TRANSACTIONS)	

O R D E R

On September 14, 1994, Williams Companies, Inc. ("Williams"), WTG Holdings, Inc. ("WTG Holdings"), Williams Telecommunications Group, Inc. ("WTG"), WilTel, Inc. ("WilTel") and LDDS Communications, Inc. ("LDDS") filed an application pursuant to KRS 278.020(4), 278.020(5) and KRS 278.300 for approval of a plan to transfer control of WilTel to LDDS. Williams is a nonjurisdictional, publicly traded Delaware corporation with headquarters located in Oklahoma. WTG Holdings is a subsidiary of Williams and WTG is a wholly owned subsidiary of WTG Holdings. Neither WTG Holdings nor WTG is a jurisdictional company. WilTel, a wholly owned subsidiary of WTG, was authorized to provide intrastate, interexchange telecommunications service in Kentucky in Case No. 91-395.¹ LDDS is a publicly traded Georgia corporation. LDDS provides intrastate telecommunications services in Kentucky pursuant to the authority originally issued to Metromedia

¹ Case No. 91-395, Application of WilTel, Inc. for a Certificate of Public Convenience and Necessity to Provide Intrastate, Interexchange Telecommunications Services, Within the State of Kentucky, and for Approval of its Initial Tariff.

Communications Corporation ("Metromedia"). In Kentucky, Metromedia provided intrastate, interLATA service to customers pursuant to Case No. 10200,² dated June 24, 1988 (as originally granted to Metromedia's predecessor, United States Transmission Systems, Inc.). Pursuant to Order in Case No. 93-190¹ dated July 13, 1993, the Commission approved the joint application of LDDS, Metromedia and Resurgens Communications Group, Inc. requesting authority to merge. At closing, the name of the surviving Georgia corporation was changed to "LDDS Communications, Inc.," as the Commission was informed by letter dated September 17, 1993. LDDS is the fourth largest interexchange company in the nation.

The transaction will be implemented pursuant to a Stock Purchase Agreement ("the Agreement") between Williams and LDDS, whereby LDDS will purchase all right, title and interest in shares of WTG from WTG Holdings. After the purchase is consummated, WTG will become a wholly-owned subsidiary of LDDS, and WilTel will remain a wholly-owned subsidiary of WTG. As a result, WilTel will ultimately be owned and controlled by LDDS. In consideration, Williams will receive \$2.5 billion in cash, a large portion of which will be financed through a Credit Facility described below. The transfer will not affect the provision of intrastate service in

² Case No. 10200, Application of United States Transmission Systems, Inc. for a Certificate of Public Convenience and Necessity to Provide Intralata Telecommunications Services within the State of Kentucky.

¹ Case No. 93-190, Joint Application for Authority for LDDS Communications, Inc. to Merge with Metromedia Communications Corporation and Resurgens Communications Group, Inc.

Kentucky, and customers will continue to receive the same quality of services from WilTel that they currently receive under the same rates, terms and conditions pursuant to existing tariffs. The Commission finds that LDDS has the financial, technical and managerial abilities to provide reasonable service.

In addition to approval for the purchase of WTG, LDDS also requests authority to increase its authorized shares of common and preferred stock and to obtain \$3.5 billion of senior bank facilities. The Credit Facility will be used to finance the acquisition of the stock of WilTel, refinance existing indebtedness, finance capital expenditures and provide working capital.

With regard to the Credit Facility agreement, the Commission has allowed nondominant carriers wide latitude in determining financial arrangements appropriate for their situation. This flexibility is based on the fact that the market in which these carriers compete is characterized by significant competition and numerous suppliers of similar services. Therefore the demise of a nondominant carrier as a result of inappropriate financing arrangements will be the burden of the company's stockholders and will not harm the public interest.

Therefore, the Commission finds that the purchase of WTG by LDDS and the execution of the Credit Facility as described in the application is for a lawful object within its corporate purpose, is

necessary, appropriate and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purpose, is consistent with the requirements of KRS 278.300, and should be approved.

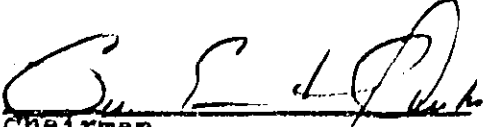
The Commission being otherwise sufficiently advised,

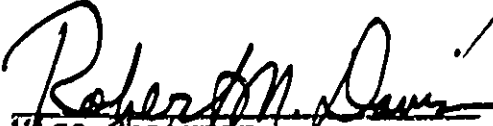
IT IS ORDERED that:

1. The authority requested in the application to transfer control of WTG and WilTel to LDDB is approved.
2. The authority for LDDB to enter into the Credit Facility is approved.
3. Approval of this application does not imply any guarantee of the securities or evidence of indebtedness by the state, or any obligation on the part of the state with respect thereto.
4. WilTel and LDDB shall notify the Commission within 10 days of the transfer or shall notify the Commission if the transfer does not occur.

Done at Frankfort, Kentucky, this 12th day of October, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner